

# Our Board

(As of June 23, 2021)



Takahiko Ijichi Nobumasa Kemori Masatoshi Kamada Masaya Ikemoto Takahiro Okumura Ritsuko Nonomiya Hiroshi Nagase Kenji Asakura Reiji Nagase

## Directors

Note: Number of shares held based on available information on April 30, 2021. Shares held by board members include those held in the name of Officers Stock Ownership Plan and NAGASE & CO., LTD. Own Share Investment Association.

### Representative Director and Chairman

**Hiroshi Nagase**  
Number of shares held: 1,356,730

### Director and Vice Chairman

**Reiji Nagase**  
Number of shares held: 94,539

### Representative Director, President and CEO

**Kenji Asakura**  
Number of shares held: 23,327

### Representative Director and Managing Executive Officer

In Charge of Overall Administration and Affiliated Companies

**Masaya Ikemoto**  
Number of shares held: 8,667

### Director and Executive Officer

In Charge of Overall Sales

**Masatoshi Kamada**  
Number of shares held: 11,810

### Director and Executive Officer

In Charge of Overseas Overall Operations and Business Development  
Greater China CEO and Europe CEO

**Takahiro Okumura**  
Number of shares held: 13,167

### Outside Director

**Nobumasa Kemori**  
Number of shares held: 3,061

1980 Joined Sumitomo Metal Mining Co., Ltd.  
2006 Managing Executive Officer and Director, Sumitomo Metal Mining Co., Ltd.

2007 Representative Director and President, Sumitomo Metal Mining Co., Ltd.

2013 Representative Director and Chairman, Sumitomo Metal Mining Co., Ltd.

2016 Director and Chairman, Sumitomo Metal Mining Co., Ltd. Director, NAGASE & CO., LTD.

2017 Executive Adviser, Sumitomo Metal Mining Co., Ltd.

2021 Honorary Adviser, Sumitomo Metal Mining Co., Ltd.

### Outside Director

**Takahiko Ijichi**  
Number of shares held: 1,001

1976 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)

2004 Managing Officer of Toyota Motor Corporation

2008 Senior Managing Director of Toyota Motor Corporation

2011 Director and Senior Managing Officer of Toyota Motor Corporation

2013 President of Towa Real Estate Co., Ltd.

2015 Executive Vice President and Member of the Board of Directors of Toyota Motor Corporation  
Adviser of Towa Real Estate Co., Ltd.

2016 Retired Adviser of Towa Real Estate Co., Ltd.

2017 Senior Adviser of Toyota Motor Corporation  
Representative Director and Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.

2018 Retired Senior Adviser of Toyota Motor Corporation

2019 Retired Representative Director and Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.

2020 Director, NAGASE & CO., LTD.

### Outside Director

**Ritsuko Nonomiya**  
Number of shares held: 500

1987 Joined Peat, Marwick, Mitchell & Company (currently KPMG LLP)

1997 Partner of KPMG Corporate Finance K.K.

2000 Joined UBS Warburg Japan (currently UBS Securities Japan Co., Ltd.)

2005 M&A Advisor and Managing Director of UBS Warburg Japan

2008 Senior Vice President and Business Development Leader of GE Capital Asia Pacific Ltd.

2013 Senior Executive Officer and Business Development Leader of GE Capital Japan, GE Japan Inc.

2013 Managing Director, GCA Savian Corporation (currently GCA Corporation)

2015 Member of Executive Management Japan/Asia, GCA Savian Corporation

2017 Director, GCA Savian Corporation

2020 Director, NAGASE & CO., LTD.

## Audit & Supervisory Board Members

Note: Number of shares held based on available information on April 30, 2021

### Outside Audit & Supervisory Board Member



### Nobuyuki Shirafuji

Number of shares held: 1,640

1984 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)

2003 Deputy General Manager of Global Corporate Investment Dept. (London), Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited

2006 General Manager of Credit Dept., Europe, Middle East and Africa Division (London), Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited

2013 General Manager of Credit Review Dept. of Sumitomo Mitsui Banking Corporation

2016 Retired from Sumitomo Mitsui Banking Corporation  
Audit & Supervisory Board Member, NAGASE & CO., LTD.

### Audit & Supervisory Board Member



### Masanori Furukawa

Number of shares held: 7,902

### Audit & Supervisory Board Member



### Mitsuru Kanno

Number of shares held: 7,887

### Outside Audit & Supervisory Board Member



### Gan Matsui

Number of shares held: 1,571

1980 Prosecutor, Tokyo District Public Prosecutors Office

1990 Prosecutor, Tokyo District Public Prosecutors Office (Special Investigative Squad)

2005 Director, Special Trial Department, Tokyo District Public Prosecutors Office

2010 Assistant Public Prosecutor, Osaka High Public Prosecutors Office

2012 Chief, Criminal Investigations, Supreme Public Prosecutors Office

2014 Chief Prosecutor, Yokohama District Public Prosecutors Office

2015 Superintending Prosecutor, Fukuoka High Public Prosecutors Office

2016 Japan Federation of Bar Associations (Member, Tokyo Bar Association)

Yaesu Sogo Law Office

2018 Audit & Supervisory Board Member, NAGASE & CO., LTD.

## Executive Officers

### Naoki Yasuba

Managing Executive Officer  
Hayashibara Co., Ltd.  
Nagase R&D Center

### Takanori Yamauchi

Managing Executive Officer  
Nagase Business Expert Co., Ltd.

### Satoru Fujii

Managing Executive Officer  
Nagase ChemteX Corporation

### Yasuhiro Mihara

Executive Officer  
GM, Corporate Strategy Department

### Kusuo Ota

Executive Officer  
Totaku Industries, Inc.

### Hiroyuki Ueshima

Executive Officer  
GM, Mobility Solutions Department

### Koichi Sagawa

Executive Officer  
GM, Polymer Global Account Department

### Akira Takami

Executive Officer  
GM, Audit Office

### Takayuki Masuda

Executive Officer  
CEO, Americas

### Yasumitsu Orii

Executive Officer  
GM, New Value Creation Office

### Ryuichi Uchida

Executive Officer  
GM, Global Marketing Office

### Takeshi Takada

Executive Officer  
GM, Nagoya Branch

### Noriaki Arashima

Executive Officer  
GM, Specialty Chemicals Department

### Noriyoshi Yamaoka

Executive Officer  
GM, Human Resources & General Affairs Division

### Yoshihisa Shimizu

Executive Officer  
GM, Corporate Management Department

### Xiaoli Liu

Executive Officer  
GM, Nagase R&D Center

# Corporate Governance

## Basic Approach

The NAGASE Management Philosophy recognizes its responsibility to society and offers beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees. Based on this philosophy, NAGASE strives to increase corporate value over the medium to long term in line with the NAGASE Vision, its commitment to stakeholders. We are strengthening our corporate governance, because we believe that rapid decision-making and execution, and ensuring transparency are essential for us to accomplish these objectives.

Note: Our latest Corporate Governance Report is available on our website. <https://www.nagase.co.jp/assetfiles/tekijikajiji/20210624-2.pdf>

## Governance Summary

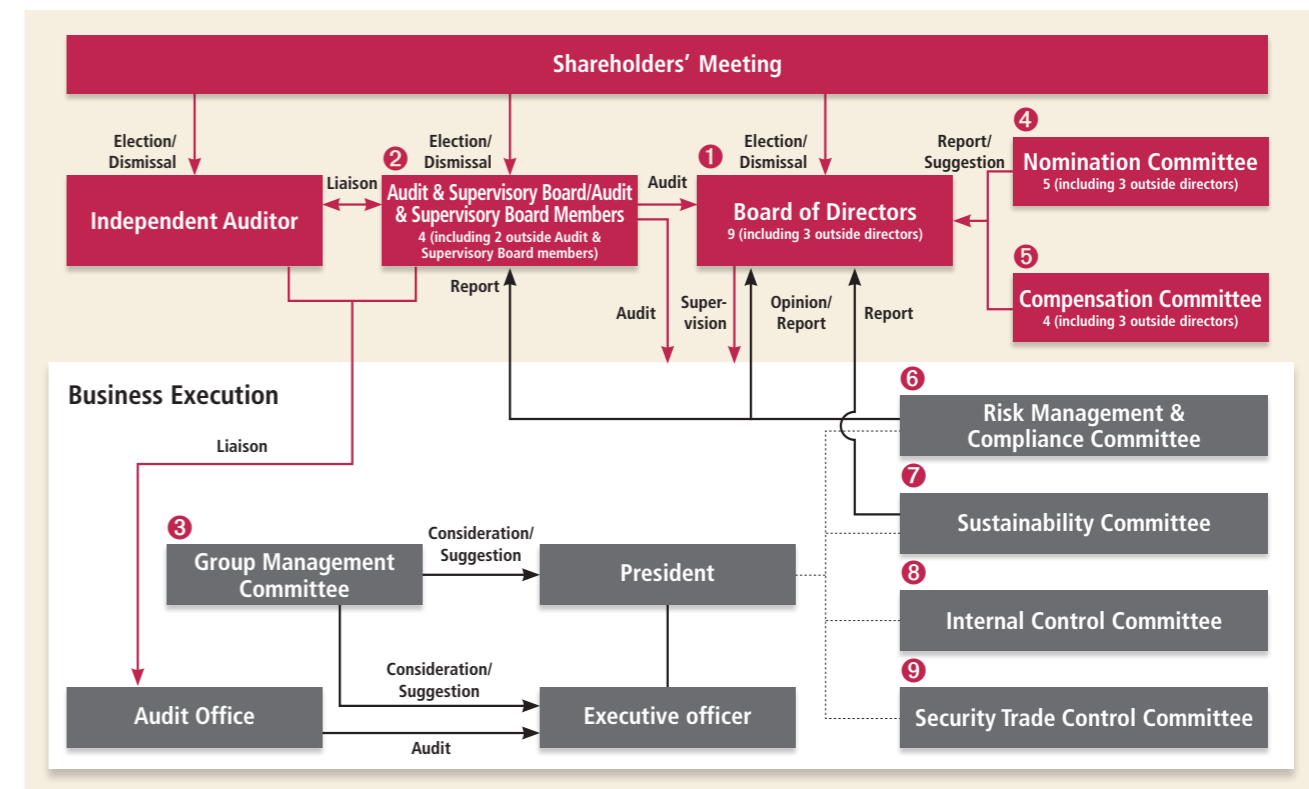
<b>Institutional Format</b> <b>Company with Audit &amp; Supervisory Board</b>	Effective functioning of neutral and objective audits by the Audit & Supervisory Board providing objective recommendations and advice from multiple independent outside directors with specialist knowledge.	<b>Number of Directors</b> <b>9</b>	The number of directors has been reduced from 20 in 2000 to 9 in 2021, enabling faster decision-making.
<b>Separation of Management and Business Execution</b> <b>Executive officer system</b>	An executive officer system was introduced in 2001 to accelerate decision-making and enhance business execution.	<b>Outside Directors</b> <b>3</b>	The first outside director was appointed in 2004. There are currently three outside directors, including one woman.
<b>Outside Audit &amp; Supervisory Board Members</b> <b>2</b>	Outside Audit & Supervisory Board members have been appointed since 1994. There are currently two outside Audit & Supervisory Board members (two of the total four members).	<b>Director Compensation</b> <b>Compensation Committee</b>	Established in 2010, three of the four members are outside directors. The committee debates the fairness of compensation levels and systems.
<b>Board Member Appointment</b> <b>Nomination Committee</b>	Established in 2018, outside directors form the majority of the committee, which debates proposals for nominating directors and executive officers, and succession plans.	<b>Compliance/ Risk Management</b> <b>Risk Management &amp; Compliance Committee</b>	The Compliance Committee was formed in 2001 and converted to the Risk Management & Compliance Committee in 2008.
<b>Internal Control</b> <b>Internal Control Committee</b>	The Internal Controls Promotion Committee was renamed the Internal Control Committee in 2009.	<b>Sustainability</b> <b>Sustainability Committee</b>	Created in 2020, the Sustainability Committee is chaired by the President and its members are executive officers and senior management from Group companies.

## Compliance with the Corporate Governance Code (As of July 1, 2021)

NAGASE has aggressively worked to comply with the Corporate Governance Code, which was applied to Tokyo Stock Exchange listed companies in June 2015, as a way to strengthen Group governance. Starting with the establishment of a nomination committee, appointment of a woman director to fulfill the gender diversity requirement, and revising the section on agenda items in

the Board of Directors meeting rules, we have worked on setting standards as required by the Code and revising rules associated with regulatory changes, as well as reviewing how we run Board of Directors' meetings. We disclose in our Corporate Governance Report how we address the Principles and Supplementary Principles that should be disclosed.

## Corporate Governance System



### 1 Board of Directors

The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervises the execution of operations. It holds a regular monthly meeting to make important decisions, track business performance and formulate measures.

### 4 Nomination Committee

The Nomination Committee has five members, the majority being outside directors. It deliberates on appointment proposals for directors and executive officers and succession plans for the Chief Executive Officer. It then provides reports and recommendations to the Board of Directors with the aim of ensuring objectivity and transparency in nominations of NAGASE's top management.

### 7 Sustainability Committee

The Sustainability Committee is chaired by the President with executive officers and senior management of Group companies as members. This committee formulates policies for promoting sustainability throughout the Group, establishes and maintains the promotion system, monitors measures, and conducts educational activities within the Group.

### Compensation Committee Members

Chair ..... Kenji Asakura (Representative Director, President and CEO)  
 Members ..... Nobumasa Kemori (Outside Director)  
 Takahiko Ijichi (Outside Director)  
 Ritsuko Nonomiya (Outside Director)

### 2 Audit & Supervisory Board/Audit & Supervisory Board Members

In accordance with the audit policy and audit plans set at Audit & Supervisory Board meetings, Audit & Supervisory Board members conduct audits of the execution of duties by directors by attending important meetings such as Board of Directors meetings and receiving reports solicited from subsidiaries on an as-needed basis.

### 5 Compensation Committee

The Compensation Committee has four members, the majority being outside directors. It enhances the objectivity and transparency of the decision-making process regarding compensation of directors and executive officers by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.

### 8 Internal Control Committee

The Committee deliberates on basic policies for the internal control system, builds frameworks established by the internal control system, and monitors the management of the frameworks to ensure the appropriateness of business operations.

### Nomination Committee Members

Chair ..... Kenji Asakura (Representative Director, President and CEO)  
 Members ..... Hiroshi Nagase (Representative Director and Chairman)

### 3 Group Management Committee

The Group Management Committee comprises executive officers appointed by the Board of Directors, and in principle, meets regularly twice a month to discuss management strategies, investment projects, and other important matters to support business decision-making. This committee serves as an advisory body that discusses matters resolved by the Board of Directors.

### 6 Risk Management & Compliance Committee

The Risk Management & Compliance Committee establishes and strengthens risk management and compliance systems that cover not only legal compliance with also corporate ethics.

### 9 Security Trade Control Committee

The Security Trade Control Committee ensures compliance with export-related laws and regulations in relation to foreign currency exchange and foreign trade for the Company's trading of cargoes and technologies covered by such laws and regulations.

Members ..... Nobumasa Kemori (Outside Director)  
 Takahiko Ijichi (Outside Director)  
 Gan Matsui (Outside Audit & Supervisory Board Member)

## Policy for Determining Level of Compensation

NAGASE CO., LTD. has established a policy for determining overall board member compensation and methods for calculating the amounts of compensation. We have established the Compensation Committee, with outside directors representing the majority of members. The Committee deliberates on the validity of compensation standards and systems, reporting to, and advising the Board of Directors in the process of determining compensation. Our basic policy is to ensure compensation is appropriate for the role and scope of responsibilities of each board member and motivates them toward sustainable improvement of corporate value. In line with this policy, board member compensation (excluding outside directors and Audit & Supervisory Board members) consists of a fixed compensation (50–70% commensurate

with the position) and performance incentives (bonuses: 30–50%).

Compensation for outside directors and Audit & Supervisory Board members consists only of a fixed compensation calculated to reflect their duties.

Performance incentives are calculated using a basic amount based on the initial consolidated financial results forecast, multiplied by the ratio of net income of the current fiscal year versus the previous fiscal year and attainment rate versus the initial forecast, and are adjusted according to an individual performance assessment.

From fiscal 2021, we have added ROE as an indicator to increase the incentive to improve medium- to long-term capital efficiency.

### Total Compensation paid to Directors and Audit & Supervisory Board Members

(Millions of yen)

Status	Number	Total amount of compensation	Breakdown		
			Fixed compensation	Performance-linked compensation, etc.	Performance-linked compensation, etc. (non-monetary comp.)
Director	Inside Director	5	286	192	93
	Outside Director	4	28	—	—
	Total	9	314	220	93
Audit & Supervisory Board Member	Inside Audit & Supervisory Board Member	2	46	46	—
	Outside Audit & Supervisory Board Member	2	33	33	—
	Total	4	79	79	—

### Important Matters Regarding Employee Salaries for Directors Also Serving as Employees

Total Compensation (Millions of yen)	Number of Eligible Directors	Comments
12	1	Paid in an amount equivalent to employee salary

### Compensation by Type

Compensation Type	Compensation Content	Fixed/Variable	Payment Method
Basic salary	• A fixed compensation is paid commensurate with each director's position.	Fixed	Cash
Performance-linked compensation (bonuses)	• A basic payment amount is decided in line with performance for the period. • Incentives reflect individual evaluations based on the Goal Management System.	Variable (by fiscal year)	

## Outside Directors

NAGASE has three outside directors, Mr. Nobumasa Kemori, Mr. Takahiko Ijichi, and Ms. Ritsuko Nonomiya. All three are independent outside directors as defined by the Financial Instruments Exchange.

### Reason for Appointment of Outside Directors, Concurrent Titles/Responsibilities, and Number of Shares Held in the Company

Name	Reason for Appointment	Concurrent Titles/Responsibilities
Nobumasa Kemori	Nobumasa Kemori has been involved in the management of Sumitomo Metal Mining Co., Ltd. for many years and possesses advanced knowledge and extensive experience of corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance.	Honorary Adviser, Sumitomo Metal Mining Co., Ltd. Outside Director, JFE Holdings, Inc. Outside Director, Sumitomo Realty & Development Co., Ltd.
Takahiko Ijichi	Takahiko Ijichi has been involved in the management of Toyota Motor Corporation for many years and possesses advanced knowledge and extensive experience of corporate management. He will use this knowledge and experience to make proposals concerning the company's overall management, including manufacturing activities performed by the Company in Japan and overseas, and is expected to enhance the Company's corporate governance.	Outside Director, COMANY INC.
Ritsuko Nonomiya	Ritsuko Nonomiya has accumulated business experience (including auditing) in the KPMG Group and has engaged in M&A and business development in the UBS Group and GE Group. Thus, she has advanced knowledge mainly in the fields of finance and accounting, and also possesses substantial knowledge and experience regarding corporate management. She will use this knowledge and experience to make proposals concerning the company's overall management and is expected to enhance the Company's corporate governance.	Director, GCA Corporation Director, GCA Advisors, LLC External Audit & Supervisory Board Member, Shiseido Company, Limited

## Board of Directors Effectiveness Evaluation

The Company regularly analyzes and evaluates the effectiveness of the Board of Directors, believing in the importance of improving board effectiveness on an ongoing basis. Accordingly, the Company conducts surveys of all directors and Audit & Supervisory Board members. Based on the results, the Company confirmed that its Board of Directors functions effectively, conducting appropriate and timely deliberations and decision-making.

At the same time, we confirmed that there is a need to improve discussions regarding optimization of information delivery for review prior to meetings for deeper deliberations, expanding feedback and follow-up, and ensuring diversity in the composition of the Board of Directors in the longer term. The Company intends to continue initiatives to improve the effectiveness of the Board of Directors.

## Outside Audit & Supervisory Board Members

NAGASE has two outside Audit & Supervisory Board members, Mr. Nobuyuki Shirafuji and Mr. Gan Matsui. Both are independent members as defined by the Financial Instruments Exchange.

### Reasons for Appointment of Outside Audit & Supervisory Board Members and Concurrent Titles/Responsibilities

Name	Reason for Appointment	Concurrent Titles/Responsibilities
Nobuyuki Shirafuji	Nobuyuki Shirafuji possesses extensive knowledge based on his many years of overseas experience in financial institutions. He also has many years of experience in credit and audit departments, having considerable knowledge of finance and accounting. We therefore believe that he will perform his duties as an outside Audit & Supervisory Board member.	N/A
Gan Matsui	Gan Matsui has a wealth of experience in, and knowledge of law and legal practice, with substantial expertise in compliance and governance. We therefore believe that he will perform his duties as an outside Audit & Supervisory Board member.	Attorney, Yaeu Sogo Law Office Outside Audit & Supervisory Board Member, Orient Corporation Outside Audit & Supervisory Board Member, Totetsu Kogyo Co., Ltd. Outside Director and Audit & Supervisory Board Member, GLOBERIDE, Inc. Outside Director, Dentsu Group Inc.

## Audit System

### ● Status of Audit by Audit & Supervisory Board Members

The Audit & Supervisory Board comprises three full-time members (one of whom is an outside member) and one part-time member (who is an outside member). The Audit & Supervisory Board meets once a month in principle and as necessary to discuss matters. In fiscal 2020, it held 17 meetings. Each Audit & Supervisory Board member conducts auditing activities and reports audit results to the other members. The Audit & Supervisory Board exchanges a wide range of opinions and information when forming audit opinions. At the end of each fiscal year, the Audit & Supervisory Board conducts a review of its audit policies and plans, which is reflected in the audit plan in the following fiscal years to enhance the Board's effectiveness. Full-time Audit & Supervisory Board members audit the performance of directors' duties by attending Board of Directors meetings and other important meetings, reviewing important accounting documents, and through hearings with directors, executive officers, and operational departments, including the Audit Office. Full-time members also serve as corporate auditors of major subsidiaries and monitor the status and construction of internal control systems in corporate groups. This is done through information exchanges with corporate auditors of affiliates and on-site audits of domestic and overseas subsidiaries. They also meet regularly with independent auditors to keep abreast of auditing issues and accompany them when they perform on-site audits of subsidiaries and affiliates to monitor and verify whether independent auditors maintain an independent position and appropriate audits are being performed. The part-time member attends meetings of the Board of Directors and the

Audit & Supervisory Board, discusses matters with representative directors, outside directors, and independent auditors, and communicates seamlessly and promptly with full-time members to provide opinions and advice from an objective viewpoint based on specialized knowledge.

### ● Status of Audit by Internal Auditors

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities including those of subsidiaries, based on internal auditing rules. The Audit Office is staffed by 11 employees, including certified internal auditors (CIA), qualified internal auditors (QIA) and others who possess specialized knowledge of internal audits. In addition, the Audit Office evaluates internal controls as an independent internal auditor and provides reports regarding the status of internal controls to directors, the Audit & Supervisory Board, and independent auditors, as appropriate.

### ● Status of Audit by the Independent Auditor

Independent audits are performed in a fair and impartial manner by the following specified limited liability partners.

Certified Public Accountants	Auditing Firm
Specified limited liability partners	Yoshifumi Mitsugi
Managing partners	Rikio Watanabe
	Ernst & Young
	ShinNihon LLC

Note: Neither of the certified public accountants, who have executed the aforementioned duties, have performed audits continuously for more than seven years.

## Policies Related to Information Disclosure

Pursuant to the NAGASE Group Compliance Behavior Standards, the NAGASE Group engages in ongoing communication with society through timely disclosure to its stakeholders of truly important information over appropriate channels. We are mindful that all corporate activities remain fair, transparent, and within the bounds of socially accepted norms.

Guided by this basic philosophy, we conduct timely, appropriate, and fair disclosure of information through investor relations activities, public relations programs, and websites for our shareholders and investors to improve management transparency and accountability.

### Major Investor Relations Activities

Activity	Supplementary information	Briefing by company representative?
Preparation and Publication of Disclosure Policy	The NAGASE Group Basic Compliance Policy and Code of Conduct stipulate that we must actively disclose corporate information to our stakeholders and ensure transparency.	
Regular briefings for analysts and institutional investors	In May and November every year, the President holds a briefing on financial results and our medium-term management plan attended by approximately 50 analysts and institutional investors.	Yes
IR materials on company website	All types of IR materials are found at <a href="https://www.nagase.co.jp/english/ir/">https://www.nagase.co.jp/english/ir/</a>	
Establishment of Department and/or Manager in Charge of IR	Department in Charge of Investor Relations: Corporate Management Department Director in Charge of Investor Relations: Director in Charge of the Corporate Management Department	
Other	We hold individual briefings and facility tours for analysts and institutional investors as appropriate.	

## Interview with the Outside Directors

A year has passed since Mr. Takahiko Ijichi and Ms. Ritsuko Nonomiya joined Mr. Nobumasa Kemori as outside directors in 2020, bringing the number of outside directors at NAGASE to three. They gathered to talk about their expectations of ACE 2.0 and sustainability for the NAGASE Group.



Nobumasa Kemori

N-Sustainable businesses play a major role in the “Pursuit of Quality” declared as a theme of the medium-term management plan ACE 2.0

Takahiko Ijichi

I would like to see the attitude of every employee embracing and committing to the vision shown in ACE 2.0 as their own mission spreading throughout the company



Ritsuko Nonomiya

I anticipate the growth of N-Sustainable businesses into core businesses for NAGASE over the next 100–200 years, and beyond



### What initiatives of the NAGASE Group in the past year were memorable for you?

**Kemori** For me, it was the Group Manufacturers’ Collaboration Committee. This committee was established to strengthen the non-financial foundations (including safety, hygiene, quality, and environment) of 11 NAGASE Group companies in Japan to enhance the Group’s overall corporate value and stimulate sustained growth. Although some of these 11 companies are small in scale with limited human resources, Nagase ChemteX and Hayashibara have taken

leading roles in the committee to promote sharing of measures and setting/monitoring common KPIs in accordance with its policies. This has shown positive results, which is very encouraging. Challenges going forward are how to help companies that need to catch up through monitoring and how to incorporate overseas manufacturers into the committee.

**Ijichi** I assumed my position quite recently, so almost everything in the past year has been memorable. What stands out the most is a debate at a Board of Directors Meeting. We were discussing

withdrawal from a particular business and reviewing how we started it in the first place, when someone who had been a member of the management team at the time admitted frankly that he had made an error of judgment. I found that impressive. It isn’t easy for members of the management team to admit that they made a mistake. This honesty relates to the principle of “maintain the highest standards of integrity.” I once again sensed NAGASE’s strength, which is the source of sustainability. Although I am positive on the Company’s aggressive attitude toward starting new businesses, my impression is that we can do better in evaluating and analyzing risk. I believe the corporate culture of respecting people plays a part, but I feel there is room for improvement in appropriate evaluation and awareness of risk in making decisions about new businesses, which always have an element of risk. In my view, it is essential that the management team is aware of the risk and is committed to managing it instead of indulging in optimism that isn’t backed up by management theory.

**Nonomiya** Many things have been memorable for me too, but what stands out is the tremendous progress with DX investment and initiatives. I was amazed by how employees formulated detailed action plans regarding DX, which is an abstract concept that is difficult to get your head around, and took action by hiring consulting firms, starting up internal project teams, and bringing in specialists from outside the company. The NAGASE Group is way ahead of the pack in DX initiatives and I am confident they will produce good results.

### What do you think of ACE 2.0 and what are the key points for putting it into action?

**Kemori** It’s crucial that we achieve targets of a plan almost 18 months in the making and the result of many discussions by the Board of Directors. To this end we must establish PDCA cycles, but I am somewhat concerned about the reduced number of KPIs that measure the outcome (including the most important reform of our profit structure) compared with ACE-2020. A smaller number of KPIs means fewer departments and subsidiaries being involved. I would like to see the corporate division closely monitoring the PCDA cycles of every department so that employees who are not directly involved in the KPIs do not lose interest and continue to participate.

**Nonomiya** My impression is that employees have no resistance to change. I saw a glimpse of the NAGASE Group’s DNA and corporate culture in the absence of conservative attitudes to and rejection of change.

**Ijichi** Determination to change the NAGASE Group is reflected in many aspects of ACE 2.0, which is great. How we translate this impressive management plan into day-to-day business activities will make the difference between success and failure. To this end, all

NAGASE Group employees must embrace the Vision as their own challenge, adjust their course to make it happen, and run their own PDCA cycles. I have been there myself, but many companies announce idealistic visions that do not resonate with employees on the ground. To ensure this does not happen at NAGASE, I would like to see the attitude of every employee embracing and committing to the vision shown in ACE 2.0 as their own mission spread throughout the company.

### Regarding the creation of sustainable businesses (N-Sustainable businesses) being sought in ACE 2.0, which parts are you looking forward to and which points do you consider to be important?

**Nonomiya** To echo Mr. Ijichi, I would like every employee to consider in specific, personal terms what they need to do now and what their goals are in terms of contributing to the company. For the NAGASE Group, which has practiced sustainability for around 190 years, its positive corporate culture to change itself will be the driving force for creating sustainable businesses. I anticipate the growth of N-Sustainable businesses into core businesses for NAGASE over the next 100–200 years, and beyond.

**Ijichi** N-Sustainable businesses are defined as follows: “Identify issues that customers and society have not yet recognized and provide “solutions to generate profits” [through innovative services and technologies].” This sounds like a big ask, but essentially it means tackling the simple problem of identifying customers’ urgent needs and taking a dedicated and humble attitude toward fulfilling them. What’s important in this process is to ensure that the company as a whole does not become a bureaucracy, which requires constant effort to ensure the impetus for corporate cultural reform is kept alive, including communication between departments.

**Kemori** N-Sustainable businesses play a major role in the “Pursuit of Quality” declared as a theme of ACE 2.0. The challenge of harnessing digital technologies to transform traditional business models, organizations, and thinking to create new value added is typical NAGASE Group-style DX. We must analyze information and diversify ways to deliver solutions to replace traditional trading company business methods. N-Sustainable businesses require close-knit sales, manufacturing, and research teams to “foresee the issues that customers and society will face in the future.” At least two of the three teams must train capable people into a group able to identify customers’ problems and discover solutions to these problems. As the next step, we must explore how we engage with the solutions we have proposed and grow this into a business. I have expectations of N-Sustainable businesses, including their feasibility.

#### Profile

##### Nobumasa Kemori, Outside Director

Nobumasa Kemori was a director of Sumitomo Metal Mining Co., Ltd. for many years and possesses advanced knowledge of corporate management. He has been an outside director of NAGASE since 2016.

##### Takahiko Ijichi, Outside Director

After a long career in accounting, finance, and human resources with Toyota Motor Corporation, Takahiko Ijichi became an outside director of NAGASE in 2020.

##### Ritsuko Nonomiya, Outside Director

An M&A advisory specialist whose career has mainly been in the U.S., Ritsuko Nonomiya became an outside director of NAGASE in 2020.

# Compliance

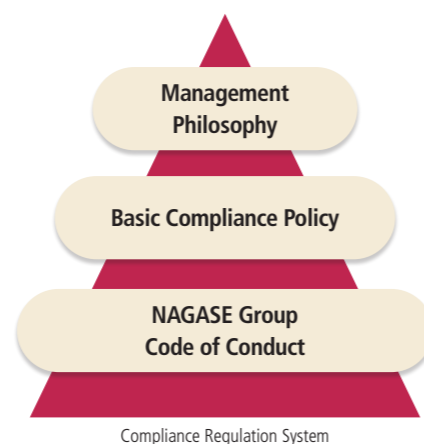
## Basic Approach

The NAGASE Group values employee education and business activities that follow socially accepted norms and ethics as well as observing laws and regulations, which are becoming more complex and stringent in an increasingly borderless world. Thus, we are committed to compliance that keeps pace with the changing times. To this end, we have established a Risk Management & Compliance Committee to oversee risk management and compliance, and defined its functions and authority. The Risk Management & Compliance Committee operates as a structure with clearly defined roles and responsibilities.

## Compliance Regulation System and Operation

The Risk Management & Compliance Committee, which oversees risk management and compliance, has formulated a Basic Compliance Policy and ensures the Company engages in corporate activities in accordance with the NAGASE Group Code of Conduct.

When an illegal act or other issue is identified at NAGASE & CO., LTD. or a Group company, it must be reported immediately to the Risk Management & Compliance Committee, which must report it without delay to the Board of Directors and Audit & Supervisory Board. In addition, the Company has introduced a compliance hotline that allows directors, officers, employees, and others, including those from Group companies, to report or discuss issues directly.



## Basic Compliance Policy Overview

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>❶ Comply with applicable laws and regulations; conform to internal rules</li> <li>❷ Eliminate anti-social elements</li> <li>❸ Provide useful products and services</li> </ul> | <ul style="list-style-type: none"> <li>❹ Respect employee's personality and individuality</li> <li>❺ Disclose information</li> <li>❻ Protect the global environment</li> <li>❼ Responsibilities of top management</li> </ul> |
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Note: The Basic Compliance Policy is also available on our website <https://www.nagase.co.jp/english/sustainability/governance/compliance/>

## Fair Business Practice Initiatives

Under its Code of Conduct, the NAGASE Group ensures strict compliance with laws, regulations, and rules as well as internal regulations and rules.

The risk of cartel enforcement, particularly surcharges under the Antimonopoly Act can have a major impact on a business. Therefore, the NAGASE Group actively runs education programs, mainly for our manufacturing companies, to ensure that they are not involved in unfair trade. We are also providing bribery education to Group companies in Japan and overseas in the context of strengthening our approach to the prevention of bribery of foreign public officials under Japan's Unfair Competition Prevention Act and extraterritorial application of the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act.

### Main Education Activities (Fiscal 2020)

#### ■ Compliance training

November 2020	Nagase Techno-Engineering Co., Ltd.
December 2020	Nagase Information Development, Ltd.
November–December 2020	Seven companies in ASEAN and the Middle East
January 2021	DAITAI KAKO CO., LTD.
February 2021	Fukui Yamada Chemical Co., Ltd., Nagase Plastics Co., Ltd.

#### ■ Training on Antimonopoly Act

February 2021	NAGASE & CO., LTD. Nagase Holdings America Corporation Nagase America LLC
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## Security Trade Controls

Trade is the foundation of the NAGASE Group's activities. To conduct appropriate trade in line with laws and regulations as a member of the international society, the Security Trade Control Committee works to understand the export control situation, follows the latest revisions to the Foreign Exchange and Foreign Trade Control Law, and ascertains a detailed picture of export controls across the entire Group, while formulating related Group policies. The Item Compliance Management Council is in charge of directing and educating each business division and Group company in matters and statute updates determined by the Security Trade Control Committee. It is the responsibility of the Item Compliance Management Council to protect the company and affiliates against the risk of illegal acts.

### ● Specific Import-Export Management Framework

Information about our export products, technologies, and overseas customers is stored in and managed via our proprietary Product Management System. We confirm whether certain products or technologies are subject to restriction under the rules of the Foreign Exchange and Foreign Trade Control Law and the U.S. Export Administration

Regulations. Only those products approved by the Item Compliance Management Section are put into the system as products allowed for export. Going one step beyond mere adherence to the law, we define policies for the entire NAGASE Group associated with security trade controls that, as a rule, prohibit trade of products that are military-related items or that have military applications.

### ● Efforts to Promote Personnel Development

The practical business of security trade controls changes every year. To keep pace with developments, the NAGASE Group encourages its employees—primarily those involved in export operations—to become Security Trade Control Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTEC).

### Qualified Security Trade Control Associates (cumulative)

Fiscal year ended March 31, 2019	947
Fiscal year ended March 31, 2020	982
Fiscal year ended March 31, 2021	1,033

## Regulatory Compliance in Products

The safe handling of chemicals is an important foundation underpinning the NAGASE Group's businesses. At NAGASE, we continue to improve product-related compliance and centralized information management, including management of chemical products. All the products we deal in are subject to our management system. This allows us to comply properly with any laws or regulations that affect our products.

### ● Specific Compliance Framework

The NAGASE Group monitors related laws for the chemical components and regulated effects of new products we plan to introduce to the market. We register each chemical component to ensure compliance with every country's laws and regulations that cover particular components. Information related to these products is registered in the aforementioned Product Management System database in an effort to centralize the Group's management of said information. By joining relevant industry organizations, we have access to the latest information regarding chemical regulations. We endeavor to pass on accurate information to relevant parties in part through our use of chemSHERPA, a tool for sharing information on chemical substances contained in products across the supply chain.

### ● Responding to Global Chemical Laws and Regulations

The Strategic Approach to International Chemical Management (SAICM) adopted at the 2002 World Summit on Sustainable Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is adopting more strict and standardized regulations concerning chemical management. Accordingly, we anticipate global regulatory trends related to chemical management, working with our overseas subsidiaries to educate, provide instructions, and adopt product management systems. In this way, we facilitate the global management of information related to chemical substances to provide accurate, up-to-date information to our business partners.

### Measures in Various Countries to Implement SAICM

Region/Country	Inventory	GHS
Japan	Chemical Substance Control Law	Industrial Safety and Health Act
United States	TSCA	HCS (OSHA)
EU	REACH	CLP
China	China REACH	Regulations on the Safe Management of Hazardous Chemicals
South Korea	K-REACH	Occupational Safety and Health Act
Taiwan	Toxic and Concerned Chemical Substance Control Act	Occupational Safety and Health Act
ASEAN	Under development in each country	Under development in each country

Inventory: Existing chemical substance lists in each country  
GHS: Globally Harmonized System of Classification and Labeling of Chemicals

### The Group's Approved Operations and Products

Manufacture of poisonous and deleterious substances	Handling of stimulants raw materials
Import of poisonous and deleterious substances	Manufacture and sale of Class II medical devices
General sale of poisonous and deleterious substances	Sale of high-pressure gas (type 1)
Manufacture of pharmaceuticals Categories: Packaging, labeling, storage	Sale of high-pressure gas (type 2) Sale of agrochemicals
Sale of pharmaceuticals	Sale of fertilizers
Wholesale of veterinary pharmaceuticals	Import of animal feed additives
Export of narcotics, etc.	Sale of animal feed additives
Import of narcotics, etc.	Sale of liquor
Wholesale and retail of specified narcotics, etc.	Import of alcohol
Export of psychotropics	Sale of alcohol
Import of psychotropics	Wholesale of salt
Export of stimulants raw materials	Specified sale of salt (import/export)
Import of stimulants raw materials	Construction (installation of machinery and equipment)

# Risk Management

## Basic Policy

The NAGASE Group runs a global and diversified operation, being exposed to various risks associated with the nature of its businesses. We therefore endeavor to gain an accurate assessment of risks related to business activities within and outside the company, take appropriate action, and make improvements so that we can achieve sustainable growth while minimizing harm from emerging risks.

## Internal Controls

The NAGASE Group established an internal control system to build a stable and sustainable corporate foundation for the Group with the aim of enhancing corporate value through corporate activities. The Internal Control Committee, the main entity for advancing internal controls,

discusses the basic policy of the internal control system, monitors the construction and operation of frameworks defined under the internal control system, and ensures the propriety of operations.

Note: The basic policy related to internal controls is available on our website. [https://www.nagase.co.jp/english/sustainability/governance/corporate\\_governance/](https://www.nagase.co.jp/english/sustainability/governance/corporate_governance/)

## Business Crisis Management

We established Crisis Management Guidelines to prepare for a business crisis that could disrupt business continuity. The guidelines aim to build a system that can swiftly and appropriately initiate, communicate, and ensure on-site first responses as well as a Group-wide organizational

response consisting of an assessment of the situation, status reports, action guidance, and more. In an emergency, we strive to maintain the stability of our business operations and minimize stakeholder losses by following the Crisis Management Guidelines.

## Product Safety and Quality Control

The NAGASE Group considers product safety and quality control a major social responsibility to provide customers with safe products and build a safe and secure society. According to the NAGASE Group Product Safety Principles, we strive to ensure the safety of products through Group-wide rules and education. In addition, the Risk Management Division provides

management of vendors and manufacturing contractors, and the Group Manufacturing Company Liaison Committee, within the Corporate Planning Department, provides support to Group manufacturing companies and internal education.

Note: The Product Safety Principles are available on our website. <https://www.nagase.co.jp/english/sustainability/governance/compliance/>

## Initiatives in NAGASE Group Companies

### Nagase ChemteX Corporation

The Nagase ChemteX Fukuchiyama Plant, which manufactures food additives and health food ingredients, has ISO 9001 (Food Additive Good Manufacturing Practices) and FSSC 22000 (international standard for food safety) certifications. Nagase ChemteX has also adopted Kosher and Halal requirements to ensure safety and security of products supplied globally from acceptance of raw materials to manufacture, quality assurance, and product delivery.



Nagase ChemteX Corporation Fukuchiyama Plant

### Hayashibara Co., Ltd.

In addition to company-wide ISO 9001 certification, Hayashibara has FSSC 22000 certification for its mainstay product TREHA™. In addition, Hayashibara follows applicable GMPs for its active pharmaceutical ingredients and pharmaceutical excipients in the management of the whole process from acceptance of raw materials to manufacture, quality assurance, and product delivery.



Hayashibara's Okayama Plant II

## Crisis Prevention and Business Continuity Planning (BCP)

Each NAGASE Group company has taken steps to mitigate such risks as those related to natural disasters that could have an impact on the continuity of business activities as well as the safety and lives of employees. NAGASE has enacted measures for crisis prevention to protect human life and assets as well as business continuity plans (BCPs) to

ensure steady operations. As for crisis prevention activities, we annually conduct one drill that coordinates our major domestic bases of Tokyo, Nagoya, and Osaka, checking the first responses during times of crisis. As for BCPs, each department has formulated a recovery plan to assure delivery to major business partners.

## Initiatives to Prevent Risk of COVID-19 Infections

In light of the risks associated with the ongoing COVID-19 pandemic, the NAGASE Group created the COVID-19 Countermeasure Headquarters, headed by the Director, to progress the following initiatives.

### ① Maintain the health of Group employees

NAGASE requires that steps are taken to ensure the safety of employees stationed overseas and their families and has banned in principle domestic and overseas business travel. Under a state of emergency in Japan, the Company has promoted teleworking with the goal of reducing the number of commuting employees by 70%. Progress toward this goal is published on the Company website.

### ② Promote teleworking and take specific steps to prevent the spread of COVID-19

- Abolished the limit on the number of days employees can work from home under a state of emergency
- Aggressively utilized shiftwork system that was put in place before COVID-19
- Issued infrastructure and equipment required for teleworking to employees (such as PCs) and transitioned meetings and trainings online
- Prohibited group meals in the office and commuting between group business locations in principle
- Installed acrylic partitions for desks and tables to prevent the spread of aerial droplets and limited office meeting room capacity

### ③ Communicate with business partners

We are taking steps to prevent infection while actively making use of online meetings and webinars for communication.

### ④ Initiatives to minimize impact on business operations

The company is striving for business continuity by setting up satellite offices and taking steps to enable continuing operations at Group manufacturing companies while putting safety first.

## Response to Environment-Related Risks

### ● Response to Climate Change Risk

Climate change has come to impose a profound impact on the environment, society, the lives of the general public, and the activities of companies. Expectations are rising on the roles the private sector must play. And the NAGASE Group recognizes the need to take measures against climate change to continue business operations. Going forward, we believe that we must explore the methods for setting and managing climate change scenarios.

### ● Response to Water Risk

The Sustainable Development Goals (SDGs) include securing a stable supply of water and richer lifestyle, including access to water, for all people. In light of this SDG, the NAGASE Group makes concerted efforts to more efficiently use water, reduce water usage, use appropriate amounts of water, thoroughly reuse water, and recycle water in its business activities.

# Responsible Publicity and Marketing

## Basic Policy

The NAGASE Group handles food ingredients and additives for the food industry, and pharmaceutical raw materials and medical equipment for the pharmaceutical and healthcare industries, and aims to contribute to the healthy fulfilling life of people.

## Consideration for Consumers

As consumers are important stakeholders, and any disadvantages for consumers lead to those for the NAGASE Group and all stakeholders, the Group recognizes the importance of responsible publicity and marketing. As our basic policy, we will never conduct exaggerated advertisements that result in an information disparity with consumers, or

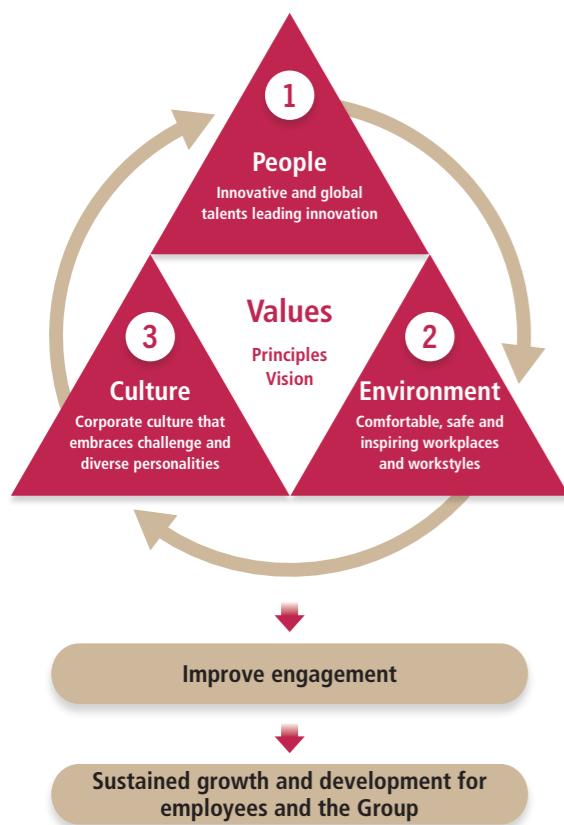
inappropriate publicity or marketing, and we will ensure indications that cause no misunderstanding about the characteristics and efficacy of products and services. We also endeavor to observe laws and standards, and collect information from third parties such as trade organizations, which we actually practice.

# Human Resource Development to Drive Innovation

## Basic Policy

The NAGASE Group solves various social issues through innovation to help realize a sustainable society. Diversity is vital for developing human resources that drive innovation and provide an agile response to changes in the environment. It is one of our key corporate strategies. We are also implementing cross-departmental initiatives to develop new businesses and advance activities that leads to solutions for social issues and innovation.

## Human Resources Strategy



Alignment between business strategy and human resources strategy

Create a foundation for empowering diverse personnel

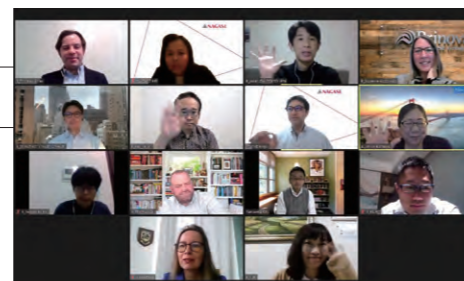
1. People	
<b>Talent Management</b> Acquire and develop talents and place them in the right roles <ul style="list-style-type: none"> <li>Visualize global personnel portfolio</li> <li>Acquire and strengthen talents in conjunction with business strategy</li> </ul>	<b>Health and Productivity Management</b> Ensure that employees are in good physical and mental health <ul style="list-style-type: none"> <li>Visualize and strengthen analysis employees' health condition and execute new measures</li> </ul>
2. Environment	
<b>Work Style Innovation</b> Offices where employees can exercise their creativity <ul style="list-style-type: none"> <li>Establish a new workplace vision where strong individuals work together with a sense of unity</li> </ul>	<b>Work styles independent of time or place</b> Work styles independent of time or place <ul style="list-style-type: none"> <li>Introduce effective and efficient work styles such as working from home and flextime</li> </ul>
3. Culture	
<b>Diversity &amp; Inclusion</b> Diversification of personnel <ul style="list-style-type: none"> <li>Improve ratio of women, non-Japanese, and highly specialized personnel in Japan</li> </ul>	<b>Human Resources Policy</b> Management decisions focused on both improving capital efficiency and challenging new businesses <ul style="list-style-type: none"> <li>Revision of the executive compensation system</li> </ul>

## 1 People

### ● Global Human Resources

The NAGASE Group seeks to progress an optimal human resources strategy by visualizing its portfolio of global human resources. We hold meetings of the Global HR Council around eight times a year for regions that do business globally to work together to share information and conduct strategic discussions on an ongoing basis. The meetings allow participants to deepen their understanding of themes that we all share, such as engagement, organization development and training programs,

improving processes, and the new normal amid COVID-19, and stimulate collaboration and mutual support in addressing these themes.



## 2 Environment

### ● Work Style Innovation

Work style reforms proposed in our medium-term management plan ACE 2.0 aspire to create an environment where a diverse work force co-creates as a team. We have also adopted flexible work styles such as working from home and flextime to continue improving our productivity. The NAGASE Group decided to rebuild our Tokyo Head Office building. We aim to enhance the creativity of the Group as a whole by building an exciting new Head Office that provides a vibrant working environment that allows employees to harness their full potential.

### ● Health Management

The Group believes that the most important measure for achieving health and productivity management is ensuring the physical and mental wellness of our employees, which constitute Group assets, as well as their families. To this end, we formulated and unveiled the NAGASE Health Declaration in 2018 in support of improving the health of Group employees. We are currently promoting initiatives in line with the declaration.



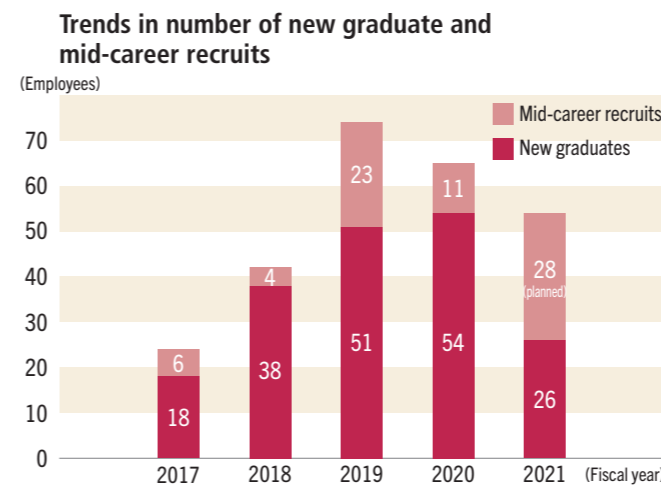
## 3 Culture

### ● Diversity

The NAGASE Group strives to employ human resources with diverse ideas and perspectives in Japan and overseas, which is reflected in the growing number of National Staff and mid-career recruits. There were 2,441 National Staff in 2017, increasing to 3,021 in 2021. As well, NAGASE & CO., LTD. actively hires mid-career recruits. We believe that the Group's diverse human resources will contribute toward its development.

### ● Empowering Women in the Workplace

The NAGASE Group believes empowering female employees to be an important initiative for promoting diversity. We have been actively leveraging the power of our female workforce in business, by hiring more women in core roles, promoting more women to management, and expanding their career opportunities. We are also focused on fostering an environment where women can promote work life balance and continue their career, by enhancing the support for employees with child rearing and caregiving needs. Although the number of women in management has improved, it is still an ongoing challenge for us to achieve further increases. The proportion of women among all employees is also not high, so we will continue to improve the situation by increasing the number of women's employment.



NAGASE is recognized by the Ministry of Health, Labour and Welfare as a company that supports employees raising children.

## Research and Development

### ● NAGASE Technical Vitality Program

In order to create new business, the NAGASE Group leverages its combined strength in R&D activities for the development of new technologies and products and for the dissemination of technical information. In 2019, we launched the NAGASE Technical Vitality (NTV) Program (a cross-divisional community program from a technology perspective) to strengthen internal collaboration and maximize group capabilities. In its second year, the program attracted 53 participants, who tackled

leading-edge technology themes including AI, IoT, healthcare, and biomimetics in five working groups. In August 2021, we began activities for the third year of the NTV Program with a view to sowing the seeds of a nextgeneration business like TABRASA™ (a recently launched SaaS type materials informatics support service).

# Creating Environmental Value

## Basic Approach

Currently, changes in the global environment are pressuring companies and individuals to make big decisions. The NAGASE Group helps realize a sustainable society by actively working to solve environmental problems, including by promoting a carbon-neutral society, realizing a recycling society, preventing pollution, preserving biodiversity, and efficiently using water.

## NAGASE Group Environmental Policy

### 1 Comply with all environmental laws, regulations, and other rules

We will observe all environmental laws, municipal bylaws, environmental regulations and other rules as we conduct our business activities.

### 2 Develop businesses that give full consideration to environmental issues

In pursuing business activities, we give consideration to the natural ecosystem, global environment, and the conservation of the global environment, and make efforts for resource saving, including reductions in energy and water consumption, and for the reduction and recycling of waste.

### 3 Fulfill our responsibilities as a good corporate citizen

As a good corporate citizen, we will work together with public

institutions, industries, and local communities to promote environmental conservation measures that are suitable for the NAGASE Group.

### 4 Establishment of environmental management systems and continuous improvement

The NAGASE Group has set environmental targets to achieve our environmental policies. Further, we have established and operate an environmental management system, striving for continuous improvement.

### 5 Disclose and make the relevant parties fully aware of our Environmental Policy

We will disclose our Environmental Policy to the public and make all who work for the NAGASE Group fully aware of its contents.

## ISO/Environmental Management Structure and Activities

### Structure

The Risk Management & Compliance Committee (Environmental ISO Management General Secretariat) provides advice and support for acquiring certification for ISO 14001, an international standard for environmental management system. Today, NAGASE & CO., LTD. operates an environmental ISO organization that includes seven other Group companies, which will continue activities to improve environmental management systems going forward. Information on Group companies that have obtained ISO 14001 certification is published on our website.

Note: Information about ISO 14001-certified companies is available on our website.  
<https://www.nagase.co.jp/english/sustainability/environment/management-system/>

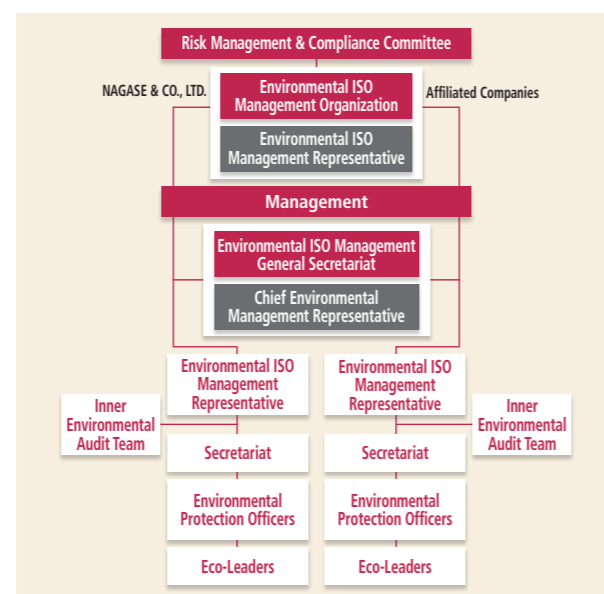
### Activities

We incorporate environmental management activities into our daily business. Specific activities include: 1) Promoting environmental businesses, 2) pursuing energy-efficient activities, and 3) improving operational efficiencies.

One example of our environmental businesses is using our environmental and energy technologies to develop and grow related businesses. We are building a system to quickly roll out products and services toward creating recycling-oriented and carbon-neutral society.

One example of energy-efficient activities is the Nagase Energy Calculation Online System, or NECO System. We began operating this system in August 2008. The NECO System uses logistics voucher data to calculate domestic cargo transport volumes, helping reduce our environmental footprint through logistical efficiency. In addition to calculating the Company's annual cargo transport volume and CO<sub>2</sub> emissions, the system analyzes optimal transport routes to reduce CO<sub>2</sub>, aiding our efforts to reduce energy used in transportation.

We are also taking action in our company headquarters building to conserve energy and resources. In line with the Revised Act on the Rational



Use of Energy, NAGASE & CO., LTD. has been designated as a specified corporation to report data and plans by the Ministry of Economy, Trade and Industry. Consequently, since fiscal 2011, we have compiled data on the amount of energy consumed at every facility, formulating medium- and long-term energy reduction plans and submitting regular reports to the Ministry of Economy, Trade and Industry.

We adopted and operate a building energy management system (BEMS) at our Tokyo head office building, Nagoya branch office, and NAGASE Global HR Development Center. We automated controls and energy conservation operations during peak usage times particularly in the summer to keep environmental settings within target levels.

## For a Carbon-Neutral Society: Reducing Our Environmental Burden

### Reducing wastewater treatment and power consumption at group companies using products supplied by Aience Inc.

In the food processing industry, large fluctuations in the volume of factory wastewater and unstable water quality are problems that impact negatively on the environment.

Hayashibara Co., Ltd. installed Aience's Aquablaster wastewater treatment system (see P34) to reduce the environmental impact of its wastewater and to stabilize water quality. Compared with conventional wastewater treatment systems, Aquablaster costs less to run and rarely requires time-consuming maintenance. As a result of using Aquablaster, the recovery of dissolved oxygen (DO) after changes in raw water loading improved due to greater aeration. The cost of power used for wastewater treatment was down 14% year on year in fiscal 2020 as a result of a combination of improvements.

### Initiatives to produce palm oil sustainably

Production of palm oil, which is low cost, easy to process, and used in many processed foods, has increased sharply amid global population growth. However, it also causes environmental problems because of increased CO<sub>2</sub> emissions and loss of biodiversity due to deforestation. For

this reason, a sustainable way to produce palm oil that considers the needs of the environment and local communities is urgently sought. The NAGASE Group supports the Roundtable on Sustainable Palm Oil (RSPO) as one of its initiatives to source sustainable raw materials. We completed registration for full membership in March 2020 and began operating an internal system to keep track of handling volume of palm oil-related products. Our goal is for all subsidiaries with a transaction record for palm oil to have supplier certification by 2025 and replace all palm oil-related products with RSPO-approved products by 2030.

### Established new Environmental Solutions Section to extract and solve environmental problems through our business

In April 2021, we established the Environmental Solutions section in the Specialty Chemicals Business to accelerate the expansion of our environment-related business. We provide three environmental solutions services that comprehensively address issues such as counteracting global warming, reducing CO<sub>2</sub> emissions, energy efficiency, cost reduction, and recycling to support customers' manufacturing facilities and help to increase their corporate value. Not only do we supply equipment and systems, but through consulting, we also deliver long-term services from extracting problems to solving them.

## Sustainability Data at a Glance

### Greenhouse gas emissions in our business activities (t-CO<sub>2</sub>)

Item	Fiscal 2018	Fiscal 2019	Fiscal 2020		
Direct greenhouse gas emissions (Scope 1)	32,896	32,831	30,537		
Indirect greenhouse gas emissions (Scope 2)	Location reference	32,554	32,057		
	Market reference	40,922	35,976		
Total	—	3,064,973	2,808,930		
Greenhouse gas emissions in the supply chain (Scope 3)	Breakdown	Purchased products and services	—	2,978,809	2,715,209
		Capital goods	—	22,762	30,492
		Activities related to fuel and energy not included in Scopes 1 and 2	—	12,242	11,577
		Transportation/distribution (upstream)	—	39,903	42,927
		Business waste	—	5,250	3,474
		Business travel	—	676	577
		Commuting of employees	—	1,096	717
		Leased assets (upstream)	—	—	—
		Transportation/distribution (downstream)	—	4,070	3,803
		Processing of sold products	—	—	—
		Use of sold products	—	—	—
		Disposal of sold products	—	67	61
		Leased assets (downstream)	—	98	93
		Franchise	—	—	—
Investment	—	—	—		

Participating companies:  
NAGASE & CO., LTD.,  
Nagase ChemteX Corporation,  
Hayashibara Co., Ltd.  
Period under review:  
April 2018–March 2021

### Paper use

(at Tokyo Head Office, Osaka Head Office, and Nagoya Branch Office)

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Paper use (thousand sheets)	4,585	4,382	1,526
Paper use (t)	19.6	18.7	6.5

### Waste and recycling rate

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Amount of waste (t)	193	175	118
Amount of recycled waste (t)	158	142	97
Recycling rate	81.8%	81.4%	82.4%

Participating company:  
NAGASE & CO., LTD.  
Period under review:  
April 2018–March 2021

Note: Sustainability-related data is available on our website. <https://www.nagase.co.jp/english/sustainability/data/>



# Human Rights and Labor Management

## Basic Approach

The NAGASE Group respects the history, culture, and customs of every region and does not engage in harassment or discrimination based on race, religion, gender, age, sexual orientation, disability, or nationality. Specifically, the Group established a Code of Conduct to ensure respect for human rights and individuality. In the event of an incident of discrimination, the Group will take immediate steps to investigate the situation, help the individual(s) affected, discipline the perpetrator(s), and act resolutely to prevent a recurrence.

## Respect for Employee Personality and Individuality/Human Rights Education

Our Code of Conduct stipulates the points to the right regarding respect for employee personality and individuality. It is available in Japanese, English, and Chinese through our corporate intranet, and all Group employees worldwide are required to comply with it.

Respect for human rights and prohibition of all forms of discriminatory treatment

Respect for privacy

Establishing an environment to draw out the strengths of employees

## Labor-Management Relations

The NAGASE Group supports fundamental guidelines such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the four principles on labor of the United Nations Global Compact, and guarantees the basic labor rights of its employees. Further, the Group supports freedom of association, and the three basic labor rights of labor unions (the right to assemble, the right to collective bargaining and the right to collective action).

With respect to management-labor consultation, we have established a forum for discussion between labor and management, seeking to share information on issues related to work conditions, environments, and so forth, and resolving issues in cooperation between both parties.

Overseas locations follow the labor regulations of their respective countries, and build positive management-labor relations with labor unions in these locations as well.

## Measures to Prevent Harassment

The NAGASE Group Compliance Code of Conduct, a behavioral guideline for all Group employees and officers, prohibits harassment. We shall take resolute action, including disciplinary action, against any person who is found to have conducted harassing behavior.

The NAGASE Group is also continuing with initiatives in this area, such as compulsory harassment prevention training for Group employees. The Company is addressing issues of harassment in the workplace,

working to prevent harassment regardless of whether it is intentional. We have introduced a harassment hotline so that employees can report and seek advice about harassment directly. This allows us to investigate promptly when an incident occurs, help those affected, and take strong action to prevent a recurrence, including disciplinary action against the harasser.

## Vibrant Work Environments

### Approach to Occupational Health and Safety

Respect for the individual is a key tenet in all of the NAGASE Group's business activities. We regard occupational health and safety as the key prerequisite for progressing business activities, and by working

proactively on that front, we make ongoing improvements and create a safe, positive, and comfortable work environment.

## Basic Occupational Health and Safety Policy

- ① The NAGASE Group and each of its employees work together to ensure a safety-first work environment without any accidents or incidents.
- ② We shall strive to eliminate the seeds of injury and illness from the workplace in building an environment where employees may work assured of their health and safety.  
We focus particularly on prevention against global health phenomena such as HIV/AIDS, tuberculosis, and malaria.
- ③ We shall comply with all laws and regulations related to occupational health and safety, as well as any concurring requirements.
- ④ This policy shall form the target for activity development and execution, with regular reviews to continuously improve the methods and results of our activities.
- ⑤ We shall invest management resources appropriately based on resolutions of the Board of Directors in order to effectively leverage occupational health and safety management systems.

# Responsible Supply Chain

## Basic Approach

Securing a sustainable supply chain is a priority for the NAGASE Group, which supplies diverse products and service around the world. We strive to make the Group's supply chain one that is responsible and mindful of issues such as human rights, labor environment (eradicating child labor, forced labor, and discrimination, and avoidance of conflict between labor and management), health and safety, and the global environment (effective use of energy resources, climate change, and biodiversity).

## Basic Policy for Suppliers

The establishment and maintenance of a responsible supply chain requires the cooperation of partner companies. The NAGASE Group strives to be a corporate group that can provide a solution for social

issues to be addressed by the whole value chain. Our suppliers are therefore required to comply with the following policy.

### ① Legal compliance and quality assurance

- Comply with applicable laws and regulations in the countries and regions where business activities are conducted.
- Provide safe, high-quality products and services

### ② Protection of human rights of employees

- Prohibit all forms of discriminatory treatment and eliminate human rights infringements such as forced labor and child labor
- Support freedom of association and the right to collective bargaining, and establish good labor-management relations
- Provide safe working conditions and ensure health and safety by eliminating excessive working hours

### ③ Consideration of the global environment

- Take measures against climate change by promoting GHG emissions control and lower energy consumption.
- Conserve the global environment and prevent pollution by promoting waste reduction and recycling of resources
- Preserve water resources by promoting improved usage efficiency of water.
- Recognize the importance of biodiversity and maintain the natural ecosystem

# Social Contribution Activities

## Basic Approach

The NAGASE Management Philosophy reminds us that we are a member of society and that, through our growth, we will contribute to society and enrich the lives of our employees. We engage in a variety of social contribution activities under this banner.

## Supporting Para Athletes

### ● Shinya Wada

Shinya Wada is a visually impaired long-distance runner, who participated in the Tokyo 2020 Paralympic Games. We have supported Shinya Wada as an athlete since he joined NAGASE in 2018. We also support the development of blind marathons as a sport by donating to the non-profit Japan Blind Marathon Association.



## Training Specialist Human Resources



### ● Nagase Science and Technology Foundation

To help advance science and technology in Japan, we established the Nagase Science and Technology Foundation in 1989 and made it a public interest foundation in 2011. The foundation strives to advance science and technology by supporting research and development in the fields of organic chemistry and biochemistry with the aim of contributing to socioeconomic progress.

### ● Supporting the 53rd International Chemistry Olympiad in Japan

We are supporting the 53rd International Chemistry Olympiad to be held in Japan in 2021 with the aim of developing future global leaders of the chemical and material industries.

### ● Sponsor of the Grand Contest on Chemistry for High School Students

The contest is organized by Osaka City University, Nagoya City University, Yokohama City University, and



the Yomiuri Shimbun. It encourages academic research activities undertaken by high school and technical college students (up to third grade), cultivating scientific creativity while enjoying independent research activities. We sponsor this program, which supports education with an eye to developing personnel who will excel in science in the future.

## Community Service

### ● Hayashibara Museum of Art

The Hayashibara Museum of Art is supported by NAGASE Group company Hayashibara Co., Ltd. The museum houses and preserves a collection of local Japanese and other art works and engages in research, holding public exhibitions with original themes to contribute to research of cultural assets and improve the culture of the region and of Japan.

### ● Collaborative Event with Local Japanese Confectionery Companies

Hayashibara Co., Ltd., Okayama City, Okayama City FM, and the Youth Division of the Okayama Prefecture Confectionery Cooperative held an event on October 8, 2020 (October 8 is "trehalose day") with the catch copy "Learn about frailty [health condition]: Recover your vitality with correct knowledge." Hayashibara and its partners will continue to contribute toward the local community and wider society by holding events that revitalize the community.



### ● Sports Sponsorship

We contribute toward the development of sports and local communities by sponsoring sporting organizations and athletes. The headquarters of Nagase ChemteX are in Tatsuno City, Hyogo Prefecture. Nagase ChemteX sponsors Urara Kawaguchi, a mountain biking athlete born in Tatsuno. NAGASE & CO., LTD. and Hayashibara Co., Ltd. also support the activities of professional soccer club Fagiano Okayama, mainly based in the cities of Okayama, Tsuyama, and Kurashiki, Okayama Prefecture.



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